GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:321
ANSWERED ON:03.02.2017
Over Estimation of GDP Growth
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Will the Minister of FINANCE be pleased to state:

(a) whether various rating agencies have recently stated that the Gross Domestic Product (GDP) growth projection released by the Government recently are overestimated;

(b) if so, the details thereof;

(c) whether primary reason for the Government''s over estimation is the absence of sufficient information for the third quarter when the economy slowed down due to demonetization;

(d) if so, the details thereof; and

(e) the steps Government propose to take to maintain GDP growth?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ARJUN RAM MEGHWAL)

(a) & (b) As per the First Advance Estimates released by the Central Statistics Office (CSO), the Gross Domestic Product at constant market prices has been estimated to grow at 7.1 per cent in 2016-17. CRISIL Research has recently pointed out that the advance estimates by CSO are likely to have an upward bias, especially the growth in government consumption and government services.

(c) & (d) CSO compiles the first advance estimates of GDP based on available information on benchmark indicators. In the first advance estimates released by CSO on 6th January 2017, sector-wise estimates were arrived at by extrapolating indicators like Index of Industrial Production for the first 7 months of the financial year, financial performance of listed companies in the private corporate sector available till quarter-ending September 2016, first advance estimates of crop production and other indicators available for the first seven to eight months of the financial year.

(e) Government has announced various measures in the Budget 2017-18 to promote growth of the economy which, inter alia, include push to infrastructure development by giving infrastructure status to affordable housing, higher allocation to highway construction, focus on coastal connectivity and taking up second phase of Solar Park. The other growth promotion measures include: lower income tax for companies with annual turnover up to Rs 50 crore; allowing carry-forward of MAT credit up to a period of 15 years instead of 10 years at present; further measures to improve the ease of doing business; reducing the rate of personal income tax for individual assesses between the income of Rs 2.5 lakhs to 5.0 lakhs to 5 per cent from 10 per cent; and, major push to digital economy. The budget also announced that a scheme for creating employment in the leather and footwear industries will be launched. The Budget has also targeted to provide higher agricultural credit and to increase employment significantly.
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